

NorthWesternTM Energy

Senate Energy & Telecomm. Comm.
Exhibit No. 10
Date 2/17/09
Bill No. SB 178
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February 13, 2009

Senator Jerry Black
Chairman
Senate Energy &
Telecommunications Committee
Montana Legislature
State Capitol
Helena, MT 59620

Dear Senator Black:

On Tuesday, January 20, 2009, I testified before the Senate Energy Committee on behalf of SB 178, sponsored by Senator Kelly Gebhardt. During the course of my testimony, I provided the Committee with an exhibit showing the relative costs of QF power versus that procured by NorthWestern Energy. I subsequently repeated that information and added some additional material regarding a QF client or clients represented by Mr. Uda and Ms. Bessette in a letter copied to the Committee on January 27, 2009.

The testimony and subsequent letter was based on a table prepared at corporate headquarters. For reasons still not fully understood by me, the payments attributed to one of the larger QFs were double-counted, leading to an over-statement of QF costs by approximately \$17.0 million.

I apologize to the Committee for the misinformation. It was not intentional. Based upon the new information I recently received from headquarters, I wish to submit the following replacement information.

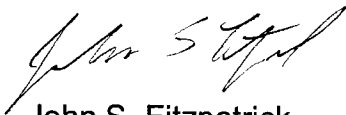
For the 12-month period October 1, 2007 through September 30, 2008¹, the average cost of a megawatt of power from QF contracts was \$66.88 MWH. The average cost of all other power purchased by NorthWestern Energy, including capacity payments, administration, and other non-energy charges, was \$53.17 per MWH. As such, power purchased under QF contracts was 25.8% more expensive than other sources of electricity acquired by NorthWestern in the market (i.e., willing buyer, willing seller) transactions.

¹ This is the same time period as the earlier data which was erroneously presented to the Committee as 2008 data.

My January 27, 2009 letter to Ms. Bessette indicated that one of Mr. Uda's/Ms. Bessette's clients had received over \$63.2 million in QF payments at an average cost of \$91.15 per MWH. The \$17.0 million double-counting of costs previously described occurred with this client. For the 12-month time period described herein, that party received \$46.5 million in payments at an average cost of \$67.01 per MWH.

Again, I apologize to the Committee for the confusion created by the inaccurate information previously supplied by NorthWestern Energy.

Very truly yours,

A handwritten signature in cursive script, appearing to read "John S. Fitzpatrick".

John S. Fitzpatrick
Executive Director
Governmental Affairs